

AMENDED IN ASSEMBLY AUGUST 19, 2013

AMENDED IN ASSEMBLY AUGUST 7, 2013

AMENDED IN ASSEMBLY JUNE 24, 2013

AMENDED IN SENATE MAY 28, 2013

AMENDED IN SENATE MAY 1, 2013

AMENDED IN SENATE APRIL 17, 2013

## **SENATE BILL**

**No. 416**

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**Introduced by Senator Liu**  
(Coauthor: Assembly Member Holden)

February 20, 2013

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An act to amend Sections 54236 and 54237 of, and to add Sections 54237.3 and 54237.7 to, the Government Code, relating to surplus residential property, and making an appropriation therefor.

### LEGISLATIVE COUNSEL'S DIGEST

SB 416, as amended, Liu. Surplus residential property.

Existing law declares the intent of the Legislature to preserve, upgrade, and expand the supply of housing to persons and families of low or moderate income, through the sale of specified surplus residential property owned by public agencies. Existing law establishes priorities and procedures that any state agency disposing of that surplus residential property is required to follow, and defines relevant terms for these purposes, including "fair market value."

This bill would revise the definition of "fair market value" for purposes of the sale of this surplus residential property, to reflect the

existing “as is” condition of the property, taking into account any needed repairs.

Existing law requires specified single-family residences to be first offered to their present occupants, at an affordable price, as defined. Under existing law, the selling agency has the option of making repairs to the property required by lenders or government assistance programs, or providing the occupants with a replacement dwelling, pursuant to a specified provision of law.

This bill would revise the procedures applicable to the sale of these surplus residential properties not otherwise sold pursuant to existing procedures, to be offered to current and former tenants in good standing, respectively, and to purchasers who will be owner occupants. The bill additionally would require the selling agency to offer tenants in good standing of nonresidential properties to be given priority to purchase the property they occupy. The bill would authorize the Department of Transportation to offer a residence or property in an “as is” condition, at the request of a person with priority to purchase the residence or property in accordance with existing law.

This bill would require proceeds from sales of surplus residential property to be placed in the SR-710 Rehabilitation Account, created by the bill, and would continuously appropriate these funds for the purpose of providing specified repairs to the properties until the last of the properties is repaired, at which time the funds, less any reimbursements due to the federal government, would be transferred to the State Highway Account, for allocation by the California Transportation Commission, as specified.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 54236 of the Government Code is
- 2 amended to read:
- 3 54236. (a) As used in this article, the term “offer” means to
- 4 solicit proposals prior to sale in a manner calculated to achieve a
- 5 sale under the conditions specified, and to hold the offer open for
- 6 a reasonable period of time, which shall be no more than one year,
- 7 unless the time is extended by the selling agency at its discretion,
- 8 for a period to be specified by the selling agency.

1 (b) As used in this article, the term “affordable price” means,  
2 in the case of a purchaser, other than a lower income household,  
3 the price for residential property for which the purchaser’s monthly  
4 payments will not exceed that portion of the purchasing  
5 household’s adjusted income as determined in accordance with  
6 the regulations of the United States Department of Housing and  
7 Urban Development, issued pursuant to Section 235 of the National  
8 Housing Act; and, in the case of a purchaser that is a lower income  
9 household, the price for residential property for which the  
10 purchaser’s monthly payments will not exceed that portion of the  
11 purchasing household’s adjusted income as determined in  
12 accordance with the regulations of the United States Department  
13 of Housing and Urban Development issued pursuant to Section 8  
14 of the United States Housing Act of 1937.

15 (c) As used in this article, the term “single-family residence”  
16 means a real property improvement used, or intended to be used,  
17 as a dwelling unit for one family.

18 (d) As used in this article, the term “surplus residential property”  
19 means land and structures owned by any agency of the state that  
20 is determined to be no longer necessary for the agency’s use, and  
21 that is developed as single-family or multifamily housing, except  
22 property being held by the agency for the purpose of exchange.

23 Surplus residential properties shall only include land and  
24 structures that, at the time of purchase by the state, the state had  
25 intended to remove the residences thereon and to use the land for  
26 state purposes.

27 (e) As used in this article, the term “displacement” includes,  
28 but is not limited to, persons who will have to move from surplus  
29 residential property that they occupy when it is sold by a state  
30 agency because they are unable to afford to pay the price that the  
31 state agency is asking for the residential property.

32 (f) As used in this article, the term “fair market value” shall  
33 mean fair market value as of the date the offer of sale is made by  
34 the selling agency pursuant to the provisions of this article and  
35 shall reflect the existing “as is” condition of the property, taking  
36 into account any repairs required to make the property safe and  
37 habitable. This definition shall not apply to terms of sale that are  
38 described as mitigation measures in an environmental study  
39 prepared pursuant to the Public Resources Code if the study was  
40 initiated before this measure was enacted.

(g) As used in this article, the term “affordable rent” means, in the case of an occupant person or family, other than a person or family of low or moderate income, rent for residential property that is not more than 25 percent of the occupant household’s gross monthly income, and in the case of an occupant person or family of low or moderate income, rent for residential property that is not more than the percentage of the adjusted income of the occupant person or family as permitted under regulations of the United States Department of Housing and Urban Development issued pursuant to Section 8 of the United States Housing Act of 1937, but not in excess of the market rental value for comparable property.

(h) As used in this article, the term “area median income” means median household income, adjusted for family size as determined in accordance with the regulations of the United States Department of Housing and Urban Development issued pursuant to Section 235 of the National Housing Act, as amended (Public Law 90-448), for the standard metropolitan statistical area (SMSA), in which surplus residential property to be disposed of pursuant to this article is located, or the county in which the property is located, if it is outside an SMSA.

(i) As used in this article, the term “persons and families of low or moderate income” means persons and families who meet both of the following conditions:

(1) Meet the definition of persons and families of low or moderate income set forth in Section 50093 of the Health and Safety Code.

(2) Have not had an ownership interest in real property in the last three years.

(j) As used in this article, the term “lower income households” means lower income households as defined in Section 50079.5 of the Health and Safety Code.

SEC. 2. Section 54237 of the Government Code is amended to read:

54237. (a) Notwithstanding Section 11011.1, any agency of the state disposing of surplus residential property shall do so in accordance with the following priorities and procedures:

(1) First, all single-family residences presently occupied by their former owners shall be offered to those former owners at the appraised fair market value.

1 (2) Second, all single-family residences shall be offered,  
2 pursuant to this article, to their present occupants who have  
3 occupied the property two years or more and who are persons and  
4 families of low or moderate income.

5 (3) Third, all single-family residences shall be offered, pursuant  
6 to this article, to their present occupants who have occupied the  
7 property five years or more and whose household income does not  
8 exceed 150 percent of the area median income.

9 (4) Fourth, a single-family residence shall not be offered,  
10 pursuant to this article, to present occupants who are not the former  
11 owners of the property if the present occupants have had an  
12 ownership interest in real property in the last three years.

13 (b) Single-family residences offered to their present occupants  
14 pursuant to paragraphs (2) and (3) of subdivision (a) shall be  
15 offered to those present occupants at an affordable price, which  
16 price shall not be less than the price paid by the agency for original  
17 acquisition, unless the acquisition price was greater than the current  
18 fair market value, and shall not be greater than fair market value.  
19 When single-family residences are offered to present occupants  
20 at a price that is less than fair market value, the selling agency  
21 shall impose terms, conditions, and restrictions to ensure that the  
22 housing will remain available to persons and families of low or  
23 moderate income and households with incomes no greater than  
24 the incomes of the present occupants in proportion to the area  
25 median income. The Department of Housing and Community  
26 Development shall provide to the selling agency recommendations  
27 of standards and criteria for these prices, terms, conditions, and  
28 restrictions. The selling agency shall provide repairs required by  
29 lenders and government housing assistance programs, or, at the  
30 option of the agency, provide the present occupants with a  
31 replacement dwelling pursuant to Section 54237.5.

32 (c) If single-family residences are offered to their present  
33 occupants pursuant to paragraphs (2) and (3) of subdivision (a),  
34 the occupants shall certify their income and assets to the selling  
35 agency. When single-family residences are offered to present  
36 occupants at a price that is less than fair market value, the selling  
37 agency may verify the certifications, in accordance with procedures  
38 utilized for verification of incomes of purchasers and occupants  
39 of housing financed by the California Housing Finance Agency  
40 and with regulations adopted for the verification of assets by the

1 United States Department of Housing and Urban Development.  
2 The income and asset limitations and term of residency  
3 requirements of paragraphs (2) and (3) of subdivision (a) shall not  
4 apply to sales that are described as mitigation measures in an  
5 environmental study prepared pursuant to the Public Resources  
6 Code, if the study was initiated before this measure was enacted.

7 (d) All other surplus residential properties and all properties  
8 described in paragraphs (1), (2), and (3) of subdivision (a) that are  
9 not purchased by the former owners or the present occupants shall  
10 be then offered to housing-related private and public entities at a  
11 reasonable price, which is best suited to economically feasible use  
12 of the property as decent, safe, and sanitary housing at affordable  
13 rents and affordable prices for persons and families of low or  
14 moderate income, on the condition that the purchasing entity shall  
15 cause the property to be rehabilitated and developed as limited  
16 equity cooperative housing with first right of occupancy to present  
17 occupants, except that where the development of cooperative or  
18 cooperatives is not feasible, the purchasing agency shall cause the  
19 property to be used for low and moderate income rental or  
20 owner-occupied housing, with first right of occupancy to the  
21 present tenants. The price of the property in no case shall be less  
22 than the price paid by the agency for original acquisition unless  
23 the acquisition price was greater than current fair market value  
24 and shall not be greater than fair market value. Subject to the  
25 foregoing, it shall be set at the level necessary to provide housing  
26 at affordable rents and affordable prices for present tenants and  
27 persons and families of low or moderate income. When residential  
28 property is offered at a price that is less than fair market value, the  
29 selling agency shall impose terms, conditions, and restrictions as  
30 will ensure that the housing will remain available to persons and  
31 families of low or moderate income. The Department of Housing  
32 and Community Development shall provide to the selling agency  
33 recommendations of standards and criteria for prices, terms,  
34 conditions, and restrictions.

35 (e) Any surplus residential properties not sold pursuant to  
36 subdivisions (a) to (d), inclusive, shall then be sold at fair market  
37 value, with priority given first to purchasers who are present tenants  
38 in good standing with all rent obligations current and paid in full,  
39 second to former tenants who were in good standing at the time  
40 they vacated the premises, with priority given to the most recent

1 tenants first, and then to purchasers who will be owner occupants.  
2 The selling agency may commence the sales of properties that  
3 former tenants may possess a right to purchase as provided by this  
4 subdivision 30 days after the selling agency has done both of the  
5 following:

6 (1) Posted information regarding the sales under this subdivision  
7 on the selling agency's Internet Web site.

8 (2) Made a good faith effort to provide written notice, by  
9 first-class mail, to the last known address of each former tenant.

10 (f) Tenants in good standing of nonresidential properties shall  
11 be given priority to purchase, at fair market value, the property  
12 they rent, lease, or otherwise legally occupy.

13 SEC. 3. Section 54237.3 is added to the Government Code, to  
14 read:

15 54237.3. Notwithstanding the requirement to provide repairs  
16 in subdivision (b) of Section 54237, the Department of  
17 Transportation may offer a residence or property in an "as is"  
18 condition at the request of a person given priority to purchase  
19 pursuant to paragraphs (2) and (3) of subdivision (a) of Section  
20 54237.

21 SEC. 4. Section 54237.7 is added to the Government Code, to  
22 read:

23 54237.7. Notwithstanding Section 183.1 of the Streets and  
24 Highways Code, the Department of Transportation shall deposit  
25 proceeds from sales pursuant to this article into the SR-710  
26 Rehabilitation Account, which is hereby created. Notwithstanding  
27 Section 13340, funds in the account are hereby continuously  
28 appropriated to the department without regard to fiscal years for  
29 the purpose of providing repairs required pursuant to subdivision  
30 (b) of Section 54237. The total funds maintained in the account  
31 shall not exceed five hundred thousand dollars (\$500,000). Funds  
32 exceeding that amount, less any reimbursements due to the federal  
33 government, shall be transferred to the State Highway Account in  
34 the State Transportation Fund to be used for allocation by the  
35 California Transportation Commission, ~~after consultation with the~~  
36 ~~Los Angeles County Metropolitan Transportation Authority,~~  
37 ~~(commission)~~ exclusively to fund projects located in Pasadena,  
38 South Pasadena, Alhambra, La Cañada Flintridge, and the 90032  
39 postal ZIP Code. ~~Projects eligible to be funded are~~ *shall be selected*  
40 *and prioritized by the affected communities in consultation with*

1 *the Los Angeles County Metropolitan Transportation Authority,*  
2 *pursuant to guidelines developed by the commission. The Los*  
3 *Angeles Metropolitan Transportation Authority shall submit a*  
4 *proposed program of projects and the commission shall have final*  
5 *authority to approve the projects. Eligible projects may include,*  
6 *but are not limited to: sound walls; transit; and rail capital*  
7 *improvements; bikeways; pedestrian improvements; ~~streetscapes;~~*  
8 *signal synchronization; left turn signals; and major street*  
9 *resurfacing, rehabilitation, and reconstruction. The funds shall not*  
10 *be used to advance or construct any proposed North State Route*  
11 *710 tunnel. Any funds remaining in the SR-710 Rehabilitation*  
12 *Account on the date that final payment due for the last of the*  
13 *properties repaired has been made, less any reimbursements due*  
14 *to the federal government, shall be transferred to the State Highway*  
15 *Account in the State Transportation Fund, to be used exclusively*  
16 *for the purposes described in this section.*